

**STATE OF NEW HAMPSHIRE BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

VALLEY GREEN NATURAL GAS, LLC

Petition for Franchise in the City of Lebanon and Town of Hanover

DW 15-

Direct Pre-filed Testimony of James W. Campion, IV

May 15, 2015

1 Q. Please state your name and business address

2 A. My name is James W. Campion, IV. My business address is Post Office Box 14, 44
3 Main Street, Hanover, New Hampshire 03755.

4 Q. By whom are you employed and what position do you hold?

5 A. I am President of Valley Green Natural Gas, LLC ("Valley Green").

6 Q. Please describe your educational background and business experience.

7 A. I received my undergraduate degree (B.A., Design Science) from Goddard College in
8 1976. In the past, I owned companies (J.W. Campion, Inc. and O'Callaghan Clothing Co.) that
9 operated retail stores in Hanover, NH, Montpelier, VT, and Chapel Hill, NC. I have also worked
10 in, and continue to work in, commercial real estate investment and management. For example,
11 my company Jaymark Properties owns a bank building in Hanover. My companies Chaloux
12 Properties LLC and Rte. 120 Hotels LLC are building a hotel and conference center on adjacent
13 property. My company Choice Storage LLC ("Choice Storage") owns commercial real estate in
14 the Lebanon/Hanover area. I formed Valley Green Natural Gas, LLC, which is the subject of
15 this proceeding.

16 Q. Please describe Valley Green.

17 A. Valley Green is a New Hampshire limited liability company formed in 2013 for the
18 purpose of distributing and selling natural gas.

19 Q. What is the purpose of your testimony?

20 A. I will be providing an overview of Valley Green and its request for franchise approval to
21 provide natural gas service in the City of Lebanon and the Town of Hanover.

22 **Proposed Franchise Areas**

23 Q. Please describe the Proposed Franchise Area.

1 A. The Proposed Franchise Area encompasses the municipal corporate boundaries of the
2 City of Lebanon and Town of Hanover. See Attachment A. Valley Green will operate from a 6
3 to 12-acre site that is part of a larger 182-acre parcel owned by Choice Storage. The parcel will
4 be subdivided to accommodate the 6 to 12-acre site. The acreage is an estimate at present due to
5 the fact that final modeling for flashing and jetting and vapor dispersion have not yet been
6 completed. The Site was chosen because of its proximity to customer demand in Lebanon and
7 Hanover. Valley Green seeks to initially provide service to three different service areas:
8 Dartmouth College, Dartmouth-Hitchcock Medical Center, and the commercial area closest to
9 the Etna Road facility. The proposed franchise boundary is coterminous with the municipal
10 corporate boundaries to allow Valley Green to expand its service area in the future.

11 Q. Please describe the expected demand from customers.

12 A. Valley Green has been in contact with a number of potential institutional, industrial and
13 commercial customers to assess their load needs. For planning purposes, Valley Green
14 conservatively estimates that Dartmouth College will require 1,511 Thousand Standard Cubic
15 Feet per Day (MSCFD) of natural gas, or 18,287 gallons per day of LNG, on an average day
16 basis. Dartmouth Hitchcock Medical Center area will require 394 MSCFD of natural gas, or
17 4,767 gallons per day of LNG, on an average day basis. The industrial and commercial
18 customers along Etna Road and Route 120 will require 334 MSCFD of natural gas, or 4,041
19 gallons per day of LNG, on an average day basis. Valley Green's facility design contemplates
20 initially-installed tank storage supporting an estimated average daily load of 2,239 MSCFD of
21 natural gas, or 27,095 gallons per day of LNG, but incorporates features facilitating a much
22 higher eventual storage capacity. The site will be made pad-ready to facilitate additional tanks as

1 the customer base and daily load increases with expansion beyond the initial service areas noted
2 above. These service areas and load estimates are illustrated on Attachment B.

3 Q. Do you have any customer commitments?

4 A. Although there are no binding customer commitments at this time, there is interest in the
5 project from large customers including Dartmouth College, Dartmouth-Hitchcock Medical
6 Center, Town of Hanover, and Hypertherm. Some customers are also interested in purchasing
7 gas for electric generation (whether in the form of co-generation, micro-turbines or emergency
8 generation) which may require service terms other than general tariff rates.

9 **Description of Project**

10 Q. Please describe the project.

11 A. The Valley Green facility would house LNG storage and regasification equipment to
12 convert delivered LNG into natural gas. The Valley Green facility would provide a centralized
13 source of fuel with a pipeline distribution network to serve our initial customers and
14 subsequently the communities of Lebanon and Hanover.

15 Q. When does Valley Green plan to commence service to customers?

16 A. We anticipate commencing service in November 2016, and in any event within the 2-year
17 window prescribed by RSA 374:27.

18 Q. Will Valley Green own the project?

19 A. Yes

20 Q. Will Valley Green own any assets? If so, please describe.

21 A. Valley Green will own the physical assets within the storage and regasification facilities
22 including but not limited to storage tanks, vaporizers, odorant tank, LNG fueling station
23 equipment and appurtenances, buildings, piping, LNG unloading and loading equipment and

1 piping. It will also own all components of the distribution system including but not limited
2 pipes, meters, and regulators. Valley Green will not own the land on which the storage and
3 regasification facilities are sited. It will lease the land.

4 Q. How will Valley Green manage the utility assets?

5 A. Valley Green will own the utility assets, but will contract with Gulf Oil Limited
6 Partnership ("Gulf") for the operation and maintenance of the storage and regasification facility,
7 and with TRI-MONT Engineering Co. ("TRI-MONT") for the operation and maintenance of the
8 pipeline distribution system.

9 Q. Please describe the relationship between Valley Green and Choice Storage.

10 A. Choice Storage is the fee owner of the land on which Valley Green's project is situated,
11 and leases the land to Valley Green.

12 Q. Please describe the terms of the lease agreement between Valley Green and Choice
13 Storage.

14 A. Valley Green and Choice Storage have not finalized a lease agreement, but expect to
15 enter a lease agreement later in 2015, and anticipate that the lease will have a term of at least 20
16 years, with Valley Green having a right to further extend the term.

17 Q. Are there any operations associated with the project that are not regulated by the
18 Commission? If so, please describe.

19 A. Valley Green expects to sublease a portion of its site to Gulf so that Gulf may install,
20 own, and operate a LNG vehicle fueling facility to support its regional operations. Valley Green
21 expects that Gulf will also lease tank space from Valley Green in which it will store LNG for
22 such operations. In addition, Valley Green may deliver LNG by truck to customers with remote
23 vaporization equipment that are not yet connected to the distribution pipeline. The LNG delivery

1 option is still conceptual but Valley Green does not believe it will trigger Commission
2 regulation. If, however, the LNG delivery option triggers Commission regulation, Valley Green
3 will seek approval from the Commission before commencing such operation.

4 Q. Will the operations with Gulf be pursuant to an affiliate agreement?

5 A. No, there is no common ownership between Valley Green and Gulf.

6 Q. Are there any benefits to Valley Green and its customers from these unregulated
7 operations?

8 A. These operations make more efficient use of Valley Green's assets and provide an
9 additional income stream to Valley Green. The incremental cost of the facilities to customers is
10 lowered by this arrangement, which, in turn, helps reduce customer rates. The potential use of
11 LNG delivery by truck allows Valley Green to bring fuel alternatives to more customers.

12 **Management and Operation of the Facility and Distribution System**

13 Q. After the project is constructed, who will operate and maintain the storage facility?

14 A. We anticipate that Gulf will provide these services.

15 Q. Who will operate and maintain the regasification facility?

16 A. We anticipate that Gulf will provide these services.

17 Q. Does Valley Green have any agreements regarding the services Gulf will provide Valley
18 Green?

19 A. Yes, Valley Green and Gulf are parties to a Memorandum of Understanding.

20 Q. Please describe the Memorandum of Understanding between Valley Green and Gulf.

21 A. The Memorandum of Understanding outlines the basic business terms between Valley
22 Green and Gulf, including: (a) delivery and sale of LNG by Gulf to Valley Green, (b) operation
23 and maintenance of Valley Green's facility by Gulf, (c) lease of space at the Valley Green facility

1 for Gulf's vehicle refueling operations, and (d) lease of tank space by Gulf in connection with its
2 vehicle refueling operations.

3 Q. Why did Valley Green choose Gulf to operate the storage and regasification facilities?

4 A. As discussed below, Gulf will be Valley Green's long-term supplier of LNG. Gulf has
5 the infrastructure and experience to manage operations and maintenance of the Valley Green
6 storage and regasification facility and the capability to support Valley Green's potential efforts to
7 deliver LNG by truck.

8 Q. Who will operate and maintain the distribution system?

9 A. TRI-MONT.

10 Q. Who will be in charge of safety and inspection functions of the regulated facilities?

11 A. Gulf will handle these functions for the storage and regasification facilities, and TRI-
12 MONT will handle these functions for the distribution system.

13 Q. Please describe who will be managing the financial matters of the utility such as timing
14 of financings and rate relief and the filing of Annual Reports with the Commission?

15 A. The Chief Financial Officer of Valley Green will ultimately manage the financial matters
16 of the utility. Valley Green anticipates naming a CFO subsequent to receiving franchise
17 approval. A draft organizational chart is attached as Attachment C.

18 Q. Please describe who will be responsible for engineering-related reporting functions of the
19 utility such as filing the E-22 forms?

20 A. Gulf will handle these functions for the storage and regasification facility and TRI-
21 MONT will handle these functions for the distribution system.

22 **Description of Gas Procurement**

23 Q. Please describe how Valley Green will procure LNG supply?

1 A. Valley Green will purchase LNG from Gulf under a long-term fuel supply agreement.
2 Gulf will purchase natural gas off the pipeline, liquefy such gas at its liquefaction plant under
3 development in the Marcellus Shale Region, or procure LNG from other sources in the event that
4 Valley Green's operations begin before Gulf's liquefaction plant is operational, and deliver LNG
5 to Valley Green's facility via truck. The price of LNG to Valley Green will include a fuel charge
6 (based on the natural gas price) and a delivery charge. Valley Green may choose to purchase
7 hedges to reduce the risk of fuel price fluctuations, and Gulf will help facilitate such hedge
8 purchases. Valley Green customers may choose a tolling option under which they may purchase
9 LNG directly from Gulf, as further described below. If circumstances warrant, Valley Green
10 might opt to utilize alternatives to LNG including compressed natural gas or propane. Initially,
11 Valley Green's CFO will manage fuel purchases including fuel supply and any hedge purchases.

12 Q. Why did Valley Green choose Gulf to supply LNG?

13 A. Gulf is an established and reliable major regional fuel supplier with a business plan to
14 provide competitively-priced, reliable supply that matches the trajectory of Valley Green's
15 demand. Gulf has extensive experience in transporting fuels and operating LNG-related
16 facilities. Gulf has an excellent reputation for customer service, reliability, safety, security, and
17 emergency response credentials. These were important factors in the decision to choose Gulf.

18 Q. Do you foresee that any customers will procure their own gas and only use Valley Green
19 for distribution?

20 A. We anticipate that some larger customers may opt to purchase LNG directly, store such
21 LNG at Valley Green's facility, and rely on Valley Green for storage, vaporization and
22 distribution service.

23

1 **Expansion and Growth**

2 Q. Does Valley Green have a construction plan and budget for customer expansion? If so,
3 please describe.

4 A. Valley Green has a construction plan and budget for its initial build-out, but does not yet
5 have a construction plan and budget for any expansions thereafter.

6 **Customer Service and Billing**

7 Q. Does Valley Green have a tariff covering terms of service and rates?

8 A. Valley Green has prepared a draft tariff, but does not yet have rate approval from the
9 Commission. It expects to seek rate approval in late 2015 or early 2016.

10 Q. Please describe the terms of service.

11 A. The terms of service that Valley Green will offer will be similar to terms offered by other
12 gas utilities operating in the State, and will be consistent with the Commission's Chapter Puc
13 1200 rules.

14 Q. Please describe how service connections and disconnections will be done.

15 A. Service connections and disconnections will be done in accordance with Valley Green's
16 tariff and applicable Commission rules. Connections and disconnections will be performed by
17 master certified technicians.

18 Q. Please describe how customer billing will be done.

19 A. Valley Green will issue monthly bills to all of its customers, and will send those bills by
20 mail, or electronically if preferred by the customer.

21 Q. What options for payment of bills will Valley Green offer its customers?

22 A. We anticipate that customers will be able to pay their bills by check, automatic bank
23 withdrawal, and credit card, including at the company web site.

1 Q. How will customers be able to contact Valley Green?

2 A. Valley Green will set up a customer service telephone line that customers can call during
3 normal business hours.

4 Q. How will Valley Green respond to emergency calls?

5 A. Valley Green will establish an 800 call line for emergencies which customers may use 24
6 hours a day, 7 days a week. Emergency response will be in accordance with Puc 504.07.

7 **Financial Integrity**

8 Q. Please describe Valley Green's access to capital.

9 A. Valley Green's capital provider will be New Energy Capital Partners (NECP).

10 Q. Please describe how Valley Green will meet its cash needs.

11 A. NECP will supply Valley Green's initial working capital. Thereafter, regulated sales of
12 natural gas to customers will provide necessary cash.

13 Q. Please describe Valley Green's plans to use debt in its capital structure.

14 A. Valley Green plans to finance construction of the initial build-out of its project using
15 100% equity from NECP. Following commercial operation, Valley Green plans to seek low-cost
16 debt financing.

17 Q. Please describe how Valley Green will keep its books.

18 A. Valley Green will keep its books in accordance with the Uniform System of Accounts for
19 Gas Utilities.

20 **Local Permit Approvals**

21 Q. Have you contacted the City of Lebanon and the Town of Hanover regarding this Petition
22 for franchise authority?

1 A. Yes, Valley Green has contacted both the City of Lebanon and the Town of Hanover.
2 Valley Green has engaged in permitting processes in the City of Lebanon. In addition, Valley
3 Green has made a presentation about the project to the Hanover Board of Selectmen.

4 Q. Please describe the status of any local permits that may be required for this project.

5 A. On April 21, 2014, Valley Green received approval from the Lebanon Zoning Board of
6 Adjustment for a variance to construct a natural gas regasification facility, bulk storage facility,
7 and distribution pipeline. Valley Green attended three separate public hearings in connection
8 with its application for a variance. In November 2013, Valley Green applied to the Lebanon
9 Planning Board for preliminary site plan review, and awaits final site plan review. I anticipate
10 that Valley Green and Choice Storage will apply for subdivision approval later this year. Valley
11 Green will also seek a building permit, and appropriate licenses and approvals to place its
12 pipeline in state and local road right-of-ways.

13 **Public Good**

14 Q. Please describe some of the benefits of the franchise for the Town of Hanover.

15 A. Valley Green's provision of natural gas service to customers in the Town of Hanover will
16 help lower energy costs for those customers taking service and make Hanover a more attractive
17 place to do business. The Town of Hanover itself has expressed an interest in converting some
18 town vehicles to compressed natural gas ("CNG") and that will lower vehicle operating costs.
19 Other customers are also interested in CNG for vehicles. Customers taking natural gas service
20 will no longer need to rely on buried propane tanks. Removal of these buried tanks will make
21 downtown Hanover safer. Hanover will benefit from a cleaner environment and lower carbon
22 footprint. The switch from propane and oil to natural gas will eliminate deliveries of propane
23 and fuel oil thereby improving traffic.

1 Q. Please describe some of the benefits of the franchise for the City of Lebanon.

2 A. Some customers have expressed an interest in developing generation capacity, which, if it
3 replaces diesel emergency generators, will improve air quality. As with the benefits to Town of
4 Hanover, the City of Lebanon would also see less fuel delivery vehicle traffic, customers taking
5 natural gas service will no longer need to rely on buried propane tanks and removal of these
6 tanks would improve safety. The City of Lebanon would benefit from a cleaner environment and
7 lower carbon footprint.

8 Q. Please explain any local support for Valley Green's project among potential customers.

9 A. Valley Green has received letters of support from Dartmouth-Hitchcock Medical Center,
10 Hypertherm, Lebanon School District-SAU #88, and the River Valley Club.

11 Q. Is the Valley Green project consistent with the New Hampshire 10-Year State Energy
12 Strategy?

13 A. Yes. The 10-Year State Energy Strategy (the "Strategy") recognized the importance of
14 reducing barriers to the development of natural gas in New Hampshire. The Strategy
15 recommends the State assist in expanding access to natural gas. See page 47 of the Strategy at
16 <https://www.nh.gov/oep/energy/programs/SB191.htm>.

17 Q. Is the Valley Green project consistent with the New Hampshire Climate Action Plan?

18 A. Yes. The New Hampshire Climate Action Plan (the "Climate Plan") recommends that
19 the State facilitate the development of low-CO₂ emitting energy sources in order to help achieve
20 a long-term reduction in the State's carbon emissions. See p. 21 of the Climate Plan at
21 [http://des.nh.gov/organization/divisions/air/tsb/tps/climate/action_plan/nh_climate_action_plan.h](http://des.nh.gov/organization/divisions/air/tsb/tps/climate/action_plan/nh_climate_action_plan.htm)
22 [tm](http://des.nh.gov/organization/divisions/air/tsb/tps/climate/action_plan/nh_climate_action_plan.htm).

23 Q. Is the project consistent with local master plans?

1 A. Yes. First, Dartmouth College's 2008 Energy and Emissions Master Plan ("Dartmouth
2 Master Plan") identifies strategies for reducing its emissions. Dartmouth College found that
3 "greenhouse gas emissions benefits would be immediate (or expanding) versus continued use of
4 fuel oil." It estimated that it could reduce its greenhouse gas emissions by 24% if it converted its
5 central boiler to natural gas. Dartmouth College noted, however, that natural gas was not an
6 option available to it at the time. Dartmouth Master Plan at pages 15-16 at
7 <http://www.dartmouth.edu/~opdc/energy/EYP.pdf>. The City of Lebanon's 2012 Master Plan
8 ("Lebanon Master Plan") set a goal of reducing greenhouse gas emissions, and encouraged the
9 City to give more attention to energy-related projects. See Lebanon Master Plan at page 13 at
10 <http://planning.lebnh.net/home/master-plan>. The Town of Hanover's 2003 Master Plan
11 ("Hanover Master Plan") sought to encourage cost-efficient energy sources for its businesses and
12 residents, reduce energy costs for its municipal vehicles, underground utilities, and promote
13 electric energy generation in an aesthetically sensitive manner. See Hanover Master Plan
14 referenced at
15 http://www.hanovernh.org/Pages/HanoverNH_BComm/planning/masterplan/master?textPage=1.
16 Valley Green's project helps advance the goals of the Lebanon Master Plan and the Hanover
17 Master Plan.

18 Q. Do you have anything else you would like to add to your testimony?

19 A. Not at this time.

20 Q. Does that complete your testimony?

21 A. Yes.